

CONTRACT #5
RFS # 317.86-012

**Department of Finance &
Administration / Insurance
Administration**

VENDOR:
**Provident Life & Accident
Insurance Company**



RECEIVED

APR 11 2005

FISCAL REVIEW

STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
INSURANCE ADMINISTRATION

312 Eighth Avenue North
Suite 1300 William R. Snodgrass Tennessee Tower
Nashville, Tennessee 37243
Phone (615) 741-3590 or (800) 253-9981
FAX (615) 741-8196

Dave Goetz
COMMISSIONER

Richard Chapman
DIRECTOR

April 7, 2005

Dave Goetz, Commissioner
Department of Finance and Administration
First Floor, State Capital
Nashville, TN 37243

Re: Optional Term Life Insurance

Dear Commissioner Goetz:

This request is submitted in support of the attached *Non-competitive Amendment Request* for contract #FA00-13904 (Optional Term Life Insurance). Provident Life & Accident Insurance Company is the contractor. As required by the *Request for Approval* format, this letter contains the following:

1) A description of the proposed additional service and amendment effects;

This amendment will extend the current contract for two months, to September 1, 2005. The present contract termination date is June 30, 2005. All funds for this contract are in the form of premium payments made by participants; no State funding is involved in providing coverage.

2) Explanation of need for the proposed amendment:

The Division of Insurance Administration is currently conducting, on behalf of the State Insurance Committee, a procurement of optional term life and optional universal life insurance. During the review process concerning the optional universal life Request For Proposals, there were extended discussions between the Comptroller's Office and the Division concerning the organization of the Request For Proposals and the manner in which the proposals would be evaluated, particularly the cost proposals. This process took approximately five weeks and delayed the issuance of the Request For Proposals beyond what was anticipated by the Division. Additionally, following the issuance of the Request For Proposals, the Division received approximately 100 questions concerning provisions of each Request For Proposals that required a response by the Division. Due to the volume of these requests, the responses to the Questions were delayed by approximately seven days after the planned date, in the original schedule, to issue the questions.

Third, during the Question and Answer period a proposer raised issues concerning the tight timeframe between the completion of the evaluation of proposals and the anticipated

implementation of coverage. This potential proposer indicated that it may not be able to implement the program within the prescribed timeframe and the Division was concerned that this would limit competition in this procurement.

Along similar lines, the Division has examined the implementation schedule for the purpose of administrative activities that are conducted routinely by the Division for the purpose of premium deductions. Based on that review we concluded that additional time was necessary to properly implement the results of the procurement to ensure appropriate deduction of employee premiums from paychecks.

Subsequently, we discussed this matter with the incumbent (UnumProvident) for the purpose of determining if they would be willing to extend the contract for as long as six months (that is from July 1, 2005 – December 31, 2005). The incumbent agreed to a two month extension of this contract predicated upon certain internal administrative adjustments that they anticipate making during the fall of 2005.

This matter has been presented to the members of the State Insurance Committee for their consideration.

3) Name and address of contractor's principal owner(s);

Provident Life & Accident Insurance Company
One Fountain Square
Chattanooga, TN 37402

4) Description of procuring agency efforts to identify reasonable, competitive, procurement alternatives (rather than to use non-competitive negotiation);

The intent of this request is to maintain the integrity of the competitive procurement process, and to increase competition, as described in item 2 above. By extending the current contract for two months, more proposers will be able to meet the State's time requirements for interfacing with the Tennessee Insurance System.

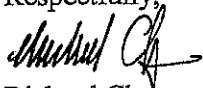
5) Justification of why the state should approve a Non-Competitive amendment.

Based on the following summary of the reasons identified in questions 1,2 and 4, the State Insurance Committee has concurred in the recommendation of the Division of Insurance Administration that it is necessary to extend the contract with Provident for the administration of the Optional Term Life Insurance plan for an additional two months (through August 31, 2005):

- With the exception of the term and maximum liability, all terms and conditions remain in force; there is no increase in cost to either the State or its enrolled members.
- A prior shift of the contract's effective date, to provide for a July 1 start, allowed for the staging of procurements conducted by the Division of Insurance Administration on behalf of the State's Insurance Committees, rather than all procurements having an effective date of January 1. This two month extension September 1, 2005 preserves the staggering of procurement efforts.
- Enrolled members are best served by this extension, in that it preserves their coverage with the existing contractor without interruption of that coverage.
- The procurement results will be implemented in an orderly fashion preceding the State's Enrollment/Transfer period, when employees can make a variety of changes to these lines of coverage.

Your approval of this request, by your signature, would be appreciated. Please call me with any questions or concerns.

Respectfully,

A handwritten signature in dark ink, appearing to read "Richard Chapman", with a stylized flourish at the end.

Richard Chapman

Director, Division of Insurance Administration

RULE EXCEPTION REQUEST

APPROVED

Commissioner of Finance & Administration

Date:

RFS # 317.86-012

STATE AGENCY: F&A, Insurance Administration

INFORMATION ABOUT THE EXCEPTION(S) REQUESTED

SUBJECT RULE NUMBER(S): 0620-3-3-.07 General Requirements, paragraph (5) Contract Term

DESCRIPTION OF EXCEPTION(S):

This exception will extend the contract term beyond the allowed 60 months, to 68 months.

JUSTIFICATION FOR EXCEPTIONS:

(compelling reasons for contracts rule exception; relevant background information; attach additional justification as necessary)

See attached April 7, 2005 letter from Richard Chapman, Director Division of Insurance Administration, to State Insurance Committee members.

INFORMATION REGARDING THE APPLICABLE CONTRACT

DESCRIPTION OF SERVICE TO BE PROCURED:

Optional Term Life Insurance

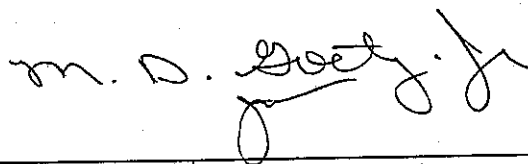
BEGIN DATE: January 1, 2000

END DATE (including ALL options for term extension): August 31, 2005

MAXIMUM LIABILITY (including ALL options for term extension): \$21,000,000

AGENCY HEAD REQUEST SIGNATURE:

(signed by the procuring agency head or authorized signatory)



SIGNATURE DATE:

4-7-05

**AMENDMENT NUMBER THREE
TO CONTRACT NUMBER FA00-13904
BETWEEN THE STATE OF TENNESSEE, STATE INSURANCE COMMITTEE
AND
PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY**

This contract, by and between the State of Tennessee, State Insurance Committee, hereinafter referred to as the State, and Provident Life And Accident Insurance Company, hereinafter referred to as the Contractor, is hereby amended as follows:

1. Delete Section B.1 in its entirety, and insert the following in its place:

B.1 Contract Term. This contract shall be effective beginning January 1, 2000 and terminating on June 30, 2005. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified contract term.

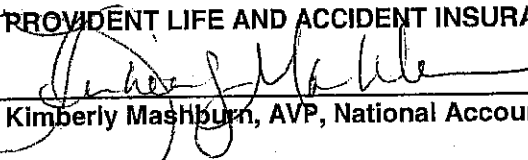
2. Delete Section C.1, Maximum Liability, in its entirety, and insert the following in its place:

C.1 Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Twenty-one Million Dollars (\$21,000,000.00). The Monthly Premium Rates in Section C.3 shall constitute the basis of the compensation due the Contractor and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Monthly Premium Rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The other terms and conditions of this contract not amended hereby shall remain in full force and effect.

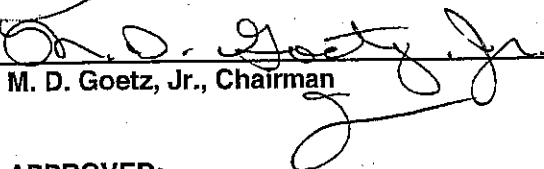
IN WITNESS WHEREOF:

PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY:


Kimberly Mashburn, AVP, National Account Executive

12.15.04
Date


STATE OF TENNESSEE, STATE INSURANCE COMMITTEE:


M. D. Goetz, Jr., Chairman

12-16-04
Date

APPROVED:

DEPARTMENT OF FINANCE AND ADMINISTRATION:


M. D. Goetz, Jr., Commissioner

DEC 20 2004
Date

COMPTROLLER OF THE TREASURY:


John G. Morgan, Comptroller of the Treasury

12/21/04
Date

**AMENDMENT NUMBER TWO
TO CONTRACT NUMBER FA00-13904
BETWEEN THE STATE OF TENNESSEE, STATE INSURANCE COMMITTEE
AND
PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY**

This contract, by and between the State of Tennessee, State Insurance Committee, hereinafter referred to as the State, and Provident Life And Accident Insurance Company, hereinafter referred to as the Contractor, is hereby amended as follows:

1. Delete Sections B.1 and B.2, Term Extension, in their entirety, insert the following in their place, and renumber any subsequent sections as necessary:

B.1 Contract Term. This contract shall be effective beginning January 1, 2000 and terminating on December 31, 2004. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified contract term.


2. Delete Section C.1, Maximum Liability, in its entirety, and insert the following in its place:

C.1 Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Nineteen Million Dollars (\$19,000,000.00). The Monthly Premium Rates in Section C.3 shall constitute the basis of the compensation due the Contractor and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Monthly Premium Rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor

The other terms and conditions of this contract not amended hereby shall remain in full force and effect.

IN WITNESS WHEREOF:

PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY:


Kimberly Mashburn, AVP, National Account Executive

11.06.2003

Date

STATE OF TENNESSEE, STATE INSURANCE COMMITTEE:

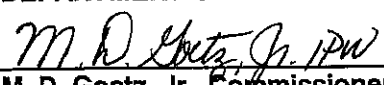

M. D. Goetz, Jr., Chairman

11-19-03

Date

APPROVED:

DEPARTMENT OF FINANCE AND ADMINISTRATION:


M. D. Goetz, Jr., Commissioner

NOV 26 2003

Date

COMPTROLLER OF THE TREASURY:


John G. Morgan, Comptroller of the Treasury

12/1/03

Date

**AMENDMENT NUMBER ONE
TO CONTRACT NUMBER FA00-13904
BETWEEN THE STATE OF TENNESSEE,
STATE INSURANCE COMMITTEE
AND
PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY**

This contract, by and between the State of Tennessee, State Insurance Committee, hereinafter referred to as the State, and Provident Life and Accident Insurance Company, hereinafter referred to as the Contractor, is hereby amended as follows:

1. Delete Sections B.1 and B.2, Term Extension, in their entirety and insert the following in their place:

B.1 Contract Term. This contract shall be effective beginning December 1, 1999 – for the purpose of carrying out the administrative activities associated with establishing coverage on January 1, 2000 – and terminating on December 31, 2003. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified contract term.

B.2 Term Extension. By mutual agreement this contract may be extended for one additional one year period, provided that the State notifies the Contractor in writing of its intention to do so at least Two Hundred Seventy (270) days prior to the contract expiration date, and the Contractor shall reply within 10 business days of receipt of the State's notification. An extension of the term of this Contract will be effected through an amendment to the Contract, and will reflect the terms and conditions in effect when the extension amendment is endorsed by the appropriate State of Tennessee authorities.

2. Delete Section C.1, Maximum Liability, in its entirety and insert the following in its place:

C.1 Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Fifteen Million, Five Hundred Thousand Dollars (\$15,500,000.00). The Monthly Premium Rates in Section C.3 shall constitute the basis of the compensation due the Contractor and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Monthly Premium Rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

3. Delete the first paragraph only of Section C.3, Payment Methodology, in its entirety and insert the following in its place:

C.3 Payment Methodology. The Contractor shall be compensated based on the amount life insurance elected by Plan Participants and the premium rates and administrative fees presented below, in a total amount not to exceed the Contract Maximum Liability established in Section C.1. The Contractor shall be compensated based upon the following Service Rates, in effect for the entire contract term (January 1, 2000 - December 31, 2003), and any extensions thereof:

The other terms and conditions of this Contract not amended hereby shall remain in full force and effect.

IN WITNESS WHEREOF:

PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY:


K. Bradford Weir, Executive Vice President

11/6/02
Date

STATE OF TENNESSEE,
STATE INSURANCE COMMITTEE:


C. Warren Neel, Ph.D., Chairman

12-10-02
Date

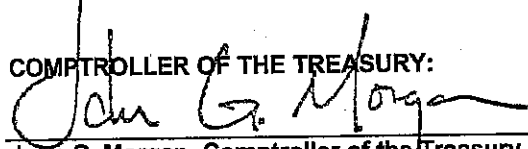
APPROVED:

DEPARTMENT OF FINANCE AND ADMINISTRATION:

C. Warren Neel/DW
C. Warren Neel, Ph.D., Commissioner

DEC 17 2002
Date

COMPTROLLER OF THE TREASURY:


John G. Morgan, Comptroller of the Treasury

12/19/02
Date

**OPTIONAL TERM LIFE INSURANCE CONTRACT
BETWEEN THE STATE OF TENNESSEE,
STATE INSURANCE COMMITTEE
AND
PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY**

This Contract, by and between the State of Tennessee, State Insurance Committee, hereinafter referred to as the "State" and Provident Life and Accident Insurance Company, hereinafter referred to as the "Contractor," is for the provision of Optional Term Life Insurance, as further defined in the "SCOPE OF SERVICES."

The Contractor is a for-profit corporation. The Contractor's address is:

Provident Life and Accident Life Insurance Company
One Fountain Square
Chattanooga, TN 37402

The Contractor's place of incorporation or organization is the State of Tennessee.

A SCOPE OF SERVICES:

A.1 SERVICES PROVIDED BY THE CONTRACTOR

- A.1.1 Underwrite and administer the State Optional Term Life Insurance Plan (hereinafter referred to as Plan) in accordance with this Contract, the clarification of the Request For Proposal (Exhibit A, incorporated by reference), the Request for Proposal issued by the State and all exhibits thereto (Exhibit B, incorporated by reference), the Contractor's Technical and Cost Proposals, submitted in response thereto (Exhibit C, incorporated by reference), and the group policy (Exhibit D, incorporated by reference).
- A.1.2 Provide customary home office services and functions including but not limited to actuarial services, policy and certificate issuance, administration and accounting. Assign an account representative to coordinate the administrative, claims, and customer service activities.
- A.1.3 Provide a group master policy and individual certificates of insurance, and prepare amendments and riders as needed, which may, from time to time, be deemed appropriate by the State. Upon enrollment, mail the certificate of insurance to the employee's home address.
- A.1.4 Prepare, in consultation with and following approval by the State, and provide descriptive employee booklets, enrollment materials, and administrative forms and manuals.
- A.1.5 Provide advice and assistance with regard to questions concerning eligibility, effective dates, benefits and coverage, and cessation of coverage as raised by the State, state departments and agencies, individual employees and retirees and/or survivors.
- A.1.6 Process statements of health for delayed or revised enrollments.
- A.1.7 Provide advice, assistance and information with regard to applicable Federal and State laws, court holdings and regulations affecting group insurance, and other Program related matters as needed.
- A.1.8 Provide for continuation of insurance through direct payment of premium and provide individual life policies for conversion upon cessation of coverage under the State of Tennessee group policy. Premium for continuation of individual certificates shall be the same as those for employees. Employees who

terminate their employment are to be notified by the contractor of the former employee's options through correspondence. The notification shall be the responsibility of the Contractor.

- A.1.9 Make all required reports to the United States Internal Revenue Service.
- A.1.10 Provide a toll-free telephone number for inquiries from state employees.
- A.1.11 Provide an annual statement to participating employees at their home address which indicates, at a minimum:
 - amount of insurance
 - monthly premium
- A.1.12 Provide annual enrollment information to potential or current participants at their home address.
- A.1.13 Provide, on a date established by the State, monthly billing statements to the State, on computer, readable magnetic tape or other electronic means agreeable to the State. Upon payment of the premium, the Contractor shall reconcile the payment and the monthly billing statement.
- A.1.14 Provide a full range of actuarial services related to the insurance provided through this Contract in addition to the reports required in this section. Such services shall be certified by a Fellow of the Society of Actuaries or a member of the American Academy of Actuaries.
- A.1.15 In conjunction with the State of Tennessee, conduct necessary orientations and training for personnel of State agencies concerning the provisions of and administration of the Plan.
- A.1.16 Provide all necessary forms for submission and processing of claims.
- A.1.17 Process all claims on a prompt, timely and accurate basis.
- A.1.18 Furnish to each claimant information regarding the payment or rejection of each claims.
- A.1.19 Maintain a service office to process claims and assist with inquiries, correspondence, unusual claim situations or problems, employee orientation and related matters.
- A.1.20 Confirm eligibility on each claim as submitted.
- A.1.21 Assess applications for the advanced payment of life insurance benefits as provided in the Group Master Policy.
- A.1.22 Provide, within sixty (60) days after the end of each calendar quarter, a report indicating – on a quarter and year to date basis, the following:
 - Number of certificates in force by type of coverage and gender
 - Total amount of insurance in force by type of coverage
 - Premiums earned by type of coverage
 - Claims paid by type of coverage

Provide, within sixty (60) days of the end of each calendar year, a listing of the number of participant lives and volume of insurance coverage by five (5) year age ranges. The listing will distinguish between premium payment method (payroll deduction and pay direct) and provide separate counts for employees and spouses. Separate counts of child term rider participation are to be provided. The data will reflect enrollment at December 31.

A.1.23 Attend quarterly administrative meetings to discuss operational issues, customer service concerns and the planning of annual transfer period activities. The scheduling of such meeting will be the prerogative of the State.

A.1.24 Provide an annual notification to plan participants which indicates the types of coverage available, premium amounts, policy terms and conditions. Such notice shall also inform participants of changes in premium based upon increasing age. Such notification shall be provided to the subscribers home address.

A.2 SERVICES PROVIDED BY THE STATE

A.2.1 Make payroll deduction of the premium, as elected by the participating employees, and remit those funds to the Contractor within forty five (45) days of the effective date of coverage.

A.2.2 Provide such information to the Contractor as is necessary, in the opinion of the State, for the underwriting and administration of the Plan.

A.2.3 Assist in the enrollment of State employees in the Plan.

A.2.4 Provide, on a quarterly basis, the full population enrollment tape for reconciliation purposes

B. CONTRACT TERM:

B.1 This contract shall be effective beginning December 1, 1999 – for the purpose of carrying out the administrative activities associated with establishing coverage on January 1, 2000 – and terminating on December 31, 2002. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified contract term.

B.2 Term Extension. By mutual agreement this contract may be extended for two additional one year periods, provided that the State notifies the Contractor in writing of its intention to do so at least Two Hundred Seventy (270) days prior to the contract expiration date, and the Contractor shall reply within 10 business days of receipt of the State's notification.. An extension of the term of this Contract will be effected through an amendment to the Contract, and will reflect the terms and conditions in effect when the extension amendment is endorsed by the appropriate State of Tennessee authorities.

B.3 If the extension of the Contract necessitates additional funding beyond that which was included in the original Contract, the increase in the State's maximum liability will also be effected through an amendment to the Contract and shall be based upon rates provided for in the original contract and proposal.

B.4 The insurance coverage provided through this contract and the group master policy shall be effective January 1, 2000.

C PAYMENT TERMS AND CONDITIONS:

C.1 Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Thirteen Million Dollars (\$13,000,000.00). The Monthly Premium Rates in Section C.3 shall constitute the basis of the compensation due the Contractor and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Monthly Premium Rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

C.2 Compensation Firm. The Premium Rates and Administrative Fees listed below, and the Maximum Liability of the State under this Contract (C.1 above) are firm for the duration of the Contract and are not subject to escalation for any reason unless amended.

- C.3 Payment Methodology. The Contractor shall be compensated based on the amount life insurance elected by Plan Participants and the premium rates and administrative fees presented below, in a total amount not to exceed the Contract Maximum Liability established in Section C.1. The Contractor shall be compensated based upon the following Service Rates, in effect for the initial three year contract term (January 1, 2000 - December 31, 2002), and any extensions thereof:

Monthly Premium Rates Per \$1000 of Coverage

Attained Age Brackets	Premium Rate/\$1000
under 20	\$0.074
20-24	0.074
25-29	0.074
30-34	0.079
35-39	0.101
40-44	0.152
45-49	0.259
50-54	0.434
55-59	0.676
60-64	1.053
65-69	1.747
70-74	2.435
75-79	3.742
80 and over	6.763

Child Term Rider - \$2500 face amount \$0.50 per month.
Child Term Rider - \$5000 face amount \$1.00 per month.

Per Month Administrative Fees

- \$0.30 per month for employee coverage
- \$0.30 per month for spouse coverage
- \$0.00 per month for child term rider

- C.4 The Contractor shall submit invoices for completed work, in form and substance acceptable to the State with all of the necessary supporting documentation, prior to any payment. Payments to the Contractor shall be based upon payroll deduction information provided by the Contractor and payment of premium by former employees who are paying premium directly to the Contractor. The payroll deduction information shall be provided in a form and medium acceptable to the State and, at a minimum, shall include employees' identification numbers, the type(s) and amount(s) of coverage, and the deduction amounts.
- C.5 Travel Compensation. The Contractor shall not be compensated or reimbursed for travel, meals, or lodging.
- C.6 Payment of Invoice. The payment of the invoice by the State shall not prejudice the State's right to object to or question any invoice or matter in relation thereto. Such payment by the State shall neither be construed as acceptance of any part of the work or service provided nor as an approval of any of the amounts invoiced therein.
- C.7 Invoice Reductions. The Contractor's invoice shall be subject to reduction for amounts included in any invoice or payment theretofore made which are determined by the State, on the basis of audits conducted

in accordance with the terms of this contract, not to constitute proper remuneration for compensable services.

- C.8 Deductions. The State reserves the right to deduct from amounts which are or shall become due and payable to the Contractor under this or any contract between the Contractor and the State of Tennessee any amounts which are or shall become due and payable to the State of Tennessee by the Contractor.
- C.9 Automatic Deposits. The Contractor shall complete and sign an "Authorization Agreement for Automatic Deposit (ACH Credits) Form." This form shall be provided to the Contractor by the State. Once this form has been completed and submitted to the State by the Contractor all payments to the Contractor, under this or any other contract the Contractor has with the State of Tennessee shall be made by Automated Clearing House (ACH). The Contractor shall not invoice the State for services until the Contractor has completed this form and submitted it to the State.

D **STANDARD TERMS AND CONDITIONS:**

- D.1 Required Approvals. The State is not bound by this Contract until it is approved by the appropriate State officials in accordance with applicable Tennessee State laws and regulations.
- D.2 Modification and Amendment. This Contract may be modified only by a written amendment executed by all parties hereto and approved by the appropriate Tennessee State officials in accordance with applicable Tennessee State laws and regulations.
- D.3 Termination for Convenience. The State may terminate the Contract by giving the Contractor at least Ninety (90) days written notice before the effective termination date. In that event, the Contractor shall be entitled to receive equitable compensation for satisfactory, authorized services completed as of the termination date.
- D.3.1 The Contractor shall be entitled to receive compensation for satisfactory, authorized service completed as of the termination date, but in no event shall the State be liable to the Contractor for compensation for any service which has not been rendered.
- D.3.2 Upon such termination, the Contractor shall have no right to any actual general, special, incidental, consequential, or any other damages whatsoever of any description or amount.
- D.4 Termination for Cause. If the Contractor fails to properly perform its obligations under this Contract in a timely or proper manner, or if the Contractor violates any terms of this Contract, the State shall have the right to immediately terminate the Contract and withhold payments in excess of fair compensation for completed services.

Notwithstanding the above, the Contractor shall not be relieved of liability to the State for damages sustained by virtue of any breach of this Contract by the Contractor.

- D.5 Subcontracting. The Contractor shall not assign this Contract or enter into a subcontract for any of the services performed under this Contract without obtaining the prior written approval of the State. If such subcontracts are approved by the State, they shall contain, at a minimum, sections of this Contract pertaining to "Conflicts of Interest" and "Nondiscrimination" (sections D.6. and D.7.).

Notwithstanding any use of approved subcontractors, the Contractor shall be the prime contractor and shall be responsible for all work performed.

- D.6 Conflicts of Interest. The Contractor warrants that no part of the total Contract Amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts

in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Contractor in connection with any work contemplated or performed relative to this Contract.

- D.7 Nondiscrimination. The Contractor hereby agrees, warrants, and assures that no person shall be excluded from participation in, be denied benefits of, or be otherwise subjected to discrimination in the performance of this Contract or in the employment practices of the Contractor on the grounds of disability, age, race, color, religion, sex, national origin, or any other classification protected by Federal, Tennessee State constitutional, or statutory law. The Contractor shall, upon request, show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.
- D.8 Records. The Contractor shall maintain documentation for all charges against the State under this Contract. The books, records, and documents of the Contractor, insofar as they relate to work performed or money received under this contract, shall be maintained for a period of three (3) full years from the date of the final payment and shall be subject to audit at any reasonable time and upon reasonable notice by the State, the Comptroller of the Treasury, or their duly appointed representatives. The financial statements shall be prepared in accordance with generally accepted accounting principles.
- D.9 Monitoring. The Contractor's activities conducted and records maintained pursuant to this Contract shall be subject to monitoring and evaluation by the State, the Comptroller of the Treasury, or their duly appointed representatives.
- D.10 Progress Reports. The Contractor shall submit brief, periodic, progress reports to the State as requested.
- D.11 Strict Performance. Failure by any party to this Contract to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, or provisions of this Contract shall not be construed as a waiver or relinquishment of any such term, covenant, condition, or provision. No term or condition of this Contract shall be held to be waived, modified, or deleted except by a written amendment signed by the parties hereto.
- D.12 Independent Contractor. The parties hereto, in the performance of this Contract, shall not act as employees, partners, joint venturers, or associates of one another. It is expressly acknowledged by the parties hereto that such parties are independent contracting entities and that nothing in this Contract shall be construed to create an employer/employee relationship or to allow either to exercise control or direction over the manner or method by which the other transacts its business affairs or provides its usual services. The employees or agents of one party shall not be deemed or construed to be the employees or agents of the other party for any purpose whatsoever.
- The Contractor, being an independent contractor and not an employee of the State, agrees to carry adequate public liability and other appropriate forms of insurance, including adequate public liability and other appropriate forms of insurance on the Contractor's employees, and to pay all applicable taxes incident to this Contract.
- D.13 State Liability. The State shall have no liability except as specifically provided in this Contract.
- D.14 Hold Harmless. The Contractor agrees to indemnify and hold harmless the State of Tennessee as well as its officers, agents, and employees from and against any and all claims, liabilities, losses, and causes of action which may arise, accrue, or result to any person, firm, corporation, or other entity which may be injured or damaged as a result of acts, omissions, bad faith, or negligence on the part of the Contractor, its employees, or any person acting for or on its or their behalf relating to this Contract. The Contractor further agrees it shall be liable for the reasonable cost of attorneys for the State in the event such service is necessitated to enforce the terms of this Contract or otherwise enforce the obligations of the Contractor to the State.

In the event of any such suit or claim, the Contractor shall give the State immediate notice thereof and shall provide all assistance required by the State in the State's defense. The State shall give the Contractor written notice of any such claim or suit, and the Contractor shall have full right and obligation to conduct the Contractor's own defense thereof. Nothing contained herein shall be deemed to accord to the Contractor, through its attorney(s), the right to represent the State of Tennessee in any legal matter, such rights being governed by *Tennessee Code Annotated*, Section 8-6-106.

- D.15 Force Majeure. The obligations of the parties to this contract are subject to prevention by causes beyond the parties control that could not be avoided by the exercise of due care including, but not limited to, acts of God, riots, wars, strikes, epidemics or any other similar cause.
- D.16 State and Federal Compliance. The Contractor shall comply with all applicable State and Federal laws and regulations in the performance of this Contract.
- D.17 Governing Law. This Contract shall be governed by and construed in accordance with the laws of the State of Tennessee. The Contractor agrees that it will be subject to the exclusive jurisdiction of the courts of the State of Tennessee in actions that may arise under this Contract. The Contractor acknowledges and agrees that any rights or claims against the State of Tennessee or its employees hereunder, and any remedies arising therefrom, shall be subject to and limited to those rights and remedies, if any, available under *Tennessee Code Annotated*, Sections 9-8-101 through 9-8-407.
- D.18 Completeness. This Contract is complete and contains the entire understanding between the parties relating to the subject matter contained herein, including all the terms and conditions of the parties' agreement. This Contract supersedes any and all prior understandings, representations, negotiations, and agreements between the parties relating hereto, whether written or oral.
- D.19 Severability. If any terms and conditions of this Contract are held to be invalid or unenforceable as a matter of law, the other terms and conditions hereof shall not be affected thereby and shall remain in full force and effect. To this end, the terms and conditions of this Contract are declared severable.
- D.20 Headings. Section headings of this Contract are for reference purposes only and shall not be construed as part of this Contract.

E **SPECIAL TERMS AND CONDITIONS:**

- E.1 Conflicting Terms and Conditions. Should any of these special terms and conditions conflict with any other terms and conditions of this Contract, these special terms and conditions shall control.
- E.2 The maximum issue amount of insurance under the Optional Life Insurance Program shall be five (5) times annual base salary, then rounded to the next highest \$5,000 increment up to a maximum of \$300,000. The guarantee issue amount of insurance under the Optional Life Insurance Program shall be sixty percent (60%) of the maximum issue amount rounded to the next highest \$5,000 increment. The minimum base amount is \$5000 for each employee.

The State reserves the right to negotiate with the Contractor to increase the maximum issue amounts and to adjust the unit rates based on the increase in coverage. Such changes would be effected through an amendment to the contract

- E.3 All current and former employees enrolled in the State-sponsored optional term life coverage on December 31, 1999 shall be transferred to the coverage established under this contract. Individuals who have been granted a waiver of premium due to disability will remain with the incumbent carrier.

- E.3.1 Employees employed on and after October 1, 1999 may enroll within a full calendar month of the first day of work on a guaranteed issue and maximum issue basis. Coverage shall become effective on the first day of the month following three full months of employment.
- E.3.2 Between October 15 and November 15 of each year, employees may qualify to participate in the Plan or to increase amounts of coverage by demonstrating insurability through the response to health questions. Coverage shall become effective the first of January, February or March of the following year. Employees may also elect to decrease the face amount each January 1.
- E.3.3 Each year, beginning January 1, current participants may increase the face amount of their coverage by up to \$5,000 if that action will not exceed the guarantee issue amount or the maximum coverage amount for the optional term and optional universal life insurance.
- E.4 Upon termination of this Contract, the Contractor shall provide an indication of the amount of insurance maintained by individual participants, and other pertinent data to the State or its designated agent. The information shall be furnished on an electronic data processing tape or such other data processing format as is compatible with the data processing system maintained by the State. Additionally, the Contractor shall provide all information necessary to properly interpret the data supplied. To insure the continuous operation of the program and upon 30 days notice, this information shall be provided to the State or its designated agent at least 45 days prior to the termination date of this Contract; further, the State may require the Contractor to provide this information at various other times prior to or after the termination date of this Contract. It shall be the responsibility of the Contractor to process all claims incurred on or before the termination of this Contract regardless of date received. No compensation, beyond that specified in this Contract, shall be paid for completion of this task as it is recognized to be part of the Administrator's responsibilities.
- E.5 For the purpose of determining eligibility for coverage, upon each election, the Governor, Members of the General Assembly, State Judges, District Attorneys, Public Defenders, the State Treasurer, the Comptroller, and the Secretary of State shall be considered newly eligible employees.
- E.6 Confidentiality of Records. Strict standards of confidentiality of records shall be maintained in accordance with the law. All material and information provided to the Contractor by the State, or acquired by the Contractor on behalf of the State whether verbal, written, magnetic tape, cards or otherwise shall be regarded as confidential information in accordance with the provisions of State law and ethical standards and shall not be disclosed, and all necessary steps shall be taken by the Contractor to safeguard the confidentiality of such material or information in conformance with State law and ethical standards.

The Contractor will be deemed to have satisfied its obligations under this section by exercising the same level of care to preserve the confidentiality of the State's information as the Contractor exercises to protect its own confidential information so long as such standard of care does not violate the applicable provisions of the first paragraph of this section.

The Contractor's obligations under this section do not apply to information in the public domain; entering the public domain but not from a breach by the Contractor of this Contract; previously possessed by the Contractor without written obligations to the State to protect it; acquired by the Contractor without written restrictions against disclosure from a third party which, to the Contractor's knowledge, is free to disclose the information independently developed by the Contractor without the use of the State's information; or, disclosed by the State to others without restrictions against disclosure.

It is expressly understood and agreed the obligations set forth in this section shall survive the termination of this Contract.

E.7

Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by facsimile transmission, by overnight courier service, or by first class mail, postage prepaid, addressed to the respective party at the appropriate facsimile number or address as set forth below or to such other party, facsimile number, or address as may be hereafter specified by written notice.

The State:

Paul Hauser, Contract Manager
Division of Insurance Administration
14th Floor Andrew Jackson Bldg.
500 Deaderick St.
Nashville, TN 37243
ph) 615-741-9896
fx) 615-741-8196

The Contractor:

Gail Kamada, Account Manager
UNUM/Provident
1 Fountain Square
Chattanooga, TN 37402
ph) 423-755-2483
fx) 423-755-3844

All instructions, notices, consents, demands, or other communications shall be considered effectively given as of the day of delivery; as of the date specified for overnight courier service delivery; as of three (3) business days after the date of mailing; or on the day the facsimile transmission is received mechanically by the telefax machine at the receiving location and receipt is verbally confirmed by the sender if prior to 4:30 p.m. CST. Any communication by facsimile transmission shall also be sent by United States mail on the same date of the facsimile transmission.

E.8

Incorporation of Additional Documents. Included in this Contract by reference are the following documents:

- a. The Contract document, its attachments, and any fully authorized amendments
- b. The Group Master Policy
- c. All Clarifications and addenda made to the Contractor's Proposal
- d. The State's Response to Questions and Requests for Clarification of RFP #317.86-012
- e. The Request for Proposal #317.86-012 and its associated amendments, attachments, and appendices
- f. The Contractor's Proposal in response to RFP #317.86-012

In the event of a discrepancy or ambiguity regarding the Contractor's duties, responsibilities, and performance under this Contract, these documents shall govern in order of precedence detailed above.

IN WITNESS WHEREOF:

PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY

K. Bradford Weir
K. Bradford Weir, Executive Vice President

Date

12/27/99

1/13/00

STATE OF TENNESSEE,
STATE INSURANCE COMMITTEE

John D. Ferguson
John D. Ferguson, Chairman

Date

1-10-00

APPROVED:

DEPARTMENT OF FINANCE AND ADMINISTRATION:

John D. Ferguson
John D. Ferguson, Commissioner

Date

JAN 21 2000

COMPTROLLER OF THE TREASURY:

John G. Morgan
John G. Morgan, Comptroller of the Treasury

Date

1/24/00